Goodyear Canada inc.
1976 ANNUAL REPORT

Goodyear Canada inc.
1976 ANNUAL REPORT

Contents

Valleyfield-made earthmover tires undergo gruelling tests on Goodyear proving grounds at San Angelo, Texas.

THE COVER

A radial truck tire specialist, assigned to Goodyear Canada's fleet survey and analysis program, checks his daily work schedule. In the background is Ontario Place, one of Toronto's more popular recreation facilities.

Report to the Shareholders

We are pleased to submit the company's financial statements for the year ended December 31, 1976.

Sales for the year 1976 were at a record level, and earnings were improved over 1975.

Consolidated net sales of $366,335,000 compared with $329,229,000 for 1975. This was an increase of $37,106,000 or 11.3 per cent.

Consolidated net income of $6,155,000 exceeded the $5,187,000 earned in 1975 by $968,000 or 18.7 per cent. The 1976 earnings were equivalent to $2.33 per common share, compared with $1.95 in the prior year.

In the fourth quarter, sales of $98,704,000 represented an increase of $11,092,000 or 12.7 per cent over the $87,612,000 recorded in 1975, and earnings of $3,520,000 compared with a loss of $659,000 in the prior year.

Dividends paid in 1976 were equivalent to 62.25 cents per common share. The change from the 60 cents paid in 1975 reflected the fourth quarter payment of 17.25 cents per share, compared with 15 cents paid in the previous quarters. The increase was the maximum allowed under Anti-Inflation Board regulations.

Dividends of $2.00 per share were paid on the four per cent preferred shares.

Taxes and duties totalled $24,874,000 or $9.67 per common share, as against $26,892,000 or $10.45 per common share in the previous year.

Total compensation paid to employees, together with pension, hospitalization, group insurance and related benefits, was $114,189,000, up 18.6 per cent from $96,273,000 in 1975.

Capital expenditures totalled $11,636,000 in 1976, compared with $24,458,000 in 1975. Depreciation in 1976 increased to $9,610,000 from $6,933,000 in the previous year.

The progress achieved during 1976 was gratifying. After a slow start, and a particularly disappointing first quarter, gradual improvement during the year culminated in an encouraging fourth quarter.

The improved profit performance was due to many factors, including the special attention

given to the control of costs, expenses and investment. The increased level of production helped offset higher costs of labour and material.

The expanded Valleyfield plant increased substantially its production of radial passenger and truck tires. To capitalize on the advantage of the Canadian production of Unisteel radial truck tires, an extensive program was developed and presented by specialists to sales personnel throughout the organization. Designed to improve the technical knowledge and marketing skills related to the Unisteel radial truck tires, the program was also presented to many representatives of dealer organizations.

General products sales and income showed improvement in the second half of the year and finished on a strong basis. The expanded capability of the Bowmanville factory, particularly in the production of steel-cable conveyor belting, was a factor in the improvement. The conversion of the Owen Sound factory to the production of power transmission products, now completed, is expected to contribute to the further progress anticipated by general products in 1977.

Our activities aimed at giving Goodyear Canada employees an opportunity to increase their knowledge and capabilities were intensified with the introduction of new programs in various sectors of our operations. A recent example of this increased effort was the creation of a training centre for tire builders at the Valleyfield plant, one of three such centres in the Goodyear North American organization.

We are optimistic that the favourable trend in 1976 will continue this year, in spite of frequent downward revisions of G.N.P. growth estimates and the many uncertainties that exist in the current economic environment.

The priorities and controls which were responsible for the achievements of the past year will be maintained and refined. Our objective for 1977 continues to be an improvement in earnings to a more satisfactory level, while providing products of unexcelled quality and maintaining high standards of service to our many customers. Goodyear Canada has the human and physical resources necessary to continue its position of leadership in the rubber industry.

We are grateful to our Shareholders for their continued confidence and our employees and dealers for their contributions to the success of the company.

With the approval of the Board of Directors.

J.R. Hicks

J. R. Hicks
President and
Chief Executive Officer
February 9, 1977

Goodyear Canada inc.

3050 LAKE SHORE BLVD. WEST
TORONTO, ONTARIO, M8V 1K4

Board of Directors

H. A. Brundage
Toronto

C. E. Clarke
Toronto

P. P. Daigle
Montreal

John H. Gerstenmaier
Akron

J. R. Hicks
Toronto

Louis A.-Lapointe, Q.C.
Montreal

A. Deane Nesbitt, O.B.E., D.F.C.
Montreal

Charles J. Pilliod Jr.
Akron

Bruce M. Robertson
Akron

Officers

J. R. Hicks
President and Chief Executive Officer

H. A. Brundage
Vice-President, Finance

C. E. Clarke
Vice-President and General Counsel

L. F. Huhta
Vice-President, Tire Production

P. G. Mackie
Vice-President, Materials Management

R. C. Markham
Vice-President, Tire Sales

H. M. Wells
Vice-President, General Products

G. D. Gordon
Secretary

B. R. Telfer
Treasurer

H. G. Wloka
Comptroller

H. P. Lovering
Assistant Treasurer

W. R. Hayward
Assistant Comptroller

W. C. Monroe
Assistant Comptroller

F. E. Walker
Assistant Comptroller

Manufacturing Plants

Bowmanville, Ont.
Industrial products

Toronto, Ont. (2)
Tires and tubes; plastic films

Saint-Hyacinthe, P.Q.
Fabrics

Quebec, P.Q.
Molded and extruded goods;
Shoe products

Medicine Hat, Alta.
Tires

Valleyfield, P.Q.
Tires

Owen Sound, Ont.
Power-transmission products

Collingwood, Ont.
Hose products

Sales District Offices

Moncton, N.B.
Saint-Laurent, P.Q.
Toronto, Ont.
Winnipeg, Man.
Edmonton, Alta.
Vancouver, B.C.

The Collingwood plant manufactures a wide variety of hose, including the type used in this sloop sailing on Lake Ontario.


34015
Destiny
R.H.Y.C.

Goodyear Canada inc.

Consolidated Balance Sheet

Dollars in thousands

Assets

	December 31 1976	1975
Current Assets:		
Cash	$ 832	$ 3,060
Accounts receivable	65,090	59,296
Due from affiliated companies	1,633	2,108
Inventories:		
Raw materials	10,857	11,633
Work in process	6,252	4,514
Finished product	54,859	55,301
	71,968	71,448
Prepaid expenses	5,606	4,330
Total Current Assets	145,129	140,242
Miscellaneous Investments		
at cost less allowances	1,963	2,158
Properties and Plants:		
Land and improvements	5,323	4,904
Buildings	52,695	48,210
Machinery and equipment	147,644	134,706
Construction in progress	3,700	12,683
	209,362	200,503
Less: Depreciation	105,243	97,965
	104,119	102,538
	$251,211	$244,938

Approved by the Board:

J.R. Hicks
Director

Director

Liabilities

	December 31 1976	1975
Current Liabilities:		
Bank indebtedness	$ 10,662	$ 9,437
Loan from parent company	12,155	—
Accounts payable and accrued liabilities	25,208	22,352
Due to affiliated companies	11,449	19,715
Income and other taxes payable	3,345	2,820
Dividend payable on preferred shares	37	39
Total Current Liabilities	62,856	54,363
Long Term Debt:		
Bank loans due 1979 under revolving credit agreements	75,900	85,712
Deferred Income Taxes	21,558	18,133
Deferred Income	626	672

Shareholders' Equity

	1976	1975
Capital Stock:		
4% cumulative redeemable sinking fund preferred shares (par value $50 per share; redeemable on call at $53 per share):		
Authorized, issued and outstanding, 1976—73,906 shares; 1975—77,701 shares	3,695	3,885
Common shares, no par value:		
Authorized, 2,906,600 shares; issued and outstanding, 2,572,600 shares	129	129
Capital Surplus	692	692
Retained Earnings	85,755	81,352
	90,271	86,058
	$251,211	$244,938

Consolidated Income Statement

Dollars in thousands, except per share

	Year ended December 31	
	1976	1975
Net sales	$366,335	$329,229
Income from investments	332	353
	366,667	329,582
Deduct:		
Costs and expenses	338,558	307,323
Interest expense on long term debt	6,944	5,478
Other interest expense	1,379	605
Depreciation	9,610	6,933
Income taxes:		
Current	463	(455)
Deferred	3,558	4,511
	360,512	324,395
Net income for the year	$ 6,155	$ 5,187
Net income per common share	$ 2.33	$ 1.95

Consolidated Retained Earnings Statement

Dollars in thousands

	Year ended December 31	
	1976	1975
Balance at beginning of year	$ 81,352	$ 77,869
Net income for the year	6,155	5,187
	87,507	83,056
Deduct:		
Dividends:		
On common shares	1,602	1,544
On 4% preferred shares	150	160
	1,752	1,704
Balance at end of year	$ 85,755	$ 81,352

Consolidated Statement of Changes in Financial Position

Dollars in thousands

	Year ended December 31 1976	1975
Source of Working Capital:		
Net income for the year	$ 6,155	$ 5,187
Expense not requiring a current outlay of working capital — principally depreciation and deferred income taxes	12,052	10,057
Total from operations	18,207	15,244
Long term debt	—	16,254
Property disposals	1,308	438
Investments	195	—
	19,710	31,936
Application of Working Capital:		
Expenditures for properties and plants	11,636	24,458
Long term debt	9,812	—
Investment in acquired company, less working capital at date of acquisition of $3,607	—	725
Dividends	1,752	1,704
Preferred shares redeemed	116	686
Investments	—	208
	23,316	27,781
Increase/(decrease) in working capital	$ (3,606)	$ 4,155

Auditors' Report

To the Shareholders of Goodyear Canada Inc.

We have examined the consolidated balance sheet of Goodyear Canada Inc. as at December 31, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants
Toronto, January 25, 1977

Notes to Consolidated Financial Statements

1. Accounting Policies:

   The consolidated financial statements include the accounts of the Company and all its subsidiary companies. All significant inter-company transactions are eliminated on consolidation.

   Inventories of raw materials are valued at the lower of cost and replacement cost, and inventories of work in process and finished product at the lower of standard cost (which approximates actual cost) and net realizable value.

   Fixed assets are stated at cost. Depreciation is computed using the declining balance method for depreciable assets acquired up to December 31, 1967, and the straight-line method, at rates based on the estimated useful lives of the assets, for depreciable assets acquired after January 1, 1968. Gains or losses on the disposal of fixed assets are included in income and the cost and accumulated depreciation related to these assets are removed from the accounts.

   The Company accounts for income taxes on the tax allocation basis which relates income taxes to the accounting income for the year. The deferral method of tax allocation is used to account for timing differences between accounting income and taxable income.

   The consolidated financial statements do not purport to comply with all disclosure requirements unique to The Companies Act of British Columbia.

2. Anti-Inflation Program:

   The Company is subject to, and believes it has complied with, controls on prices, profits, compensation and dividends under the anti-inflation program of the Government of Canada.

3. Commitments:

   The Company's unfunded obligation for pension benefits arising from service prior to December 31, 1976 is estimated to be $29,900,000. This obligation, which has not been recorded in the accounts, is to be amortized by annual payments charged against operations through 1990.

   At December 31, 1976, the estimated cost to complete approved capital projects was $4,000,000.

4. Remuneration to Directors and Senior Officers:

   This remuneration amounted to $413,000 in 1976, compared with $392,000 in 1975.

Comparison with prior years

Dollars in thousands, except per share

	1976	1975	1974	1973	1972
Net sales	$366,335	$329,229	$280,926	$239,988	$210,765
Net income	6,155	5,187	7,701	9,883	9,562
Net income per dollar of sales	1.7¢	1.6¢	2.7¢	4.1¢	4.5¢
Taxes and duties	$ 24,874	$ 26,892	$ 30,099	$ 23,858	$ 24,911
Depreciation	$ 9,610	$ 6,933	$ 6,010	$ 6,078	$ 6,305
Capital expenditures	11,636	24,458	31,225	16,392	12,350
Properties and plants — Net	104,119	102,538	84,726	59,842	51,783
Per common share:					
***Net income**	$ 2.33	$ 1.95	$ 2.91	$ 3.76	$ 3.63
***Book value**	33.65	31.94	30.59	28.28	25.12
***Taxes and duties**	9.67	10.45	11.70	9.27	9.68
Employee compensation	$114,189	$ 96,273	$ 74,864	$ 78,728	$ 68,468
***Common shares outstanding**	2,572,600	2,572,600	2,572,600	2,572,600	2,572,600

**Adjusted to reflect 10 for 1 split in 1973*

Goodyear People

Don Masters at Porte Saint-Louis, one of three gates to Quebec, North America's only walled city.

Marcel Lachance in Place d'Armes, one of Quebec City's historic sites.

Kathleen Taylor, one of the 1976 bursary winners, on the University of Toronto campus.

A remarkable group of people is made up of winners in the annual Goodyear Spirit Award program which recognizes outstanding contributions to the company and the community.

In 1975, the award went to Donald A. Masters, who was then manager of the Quebec City plant. In 1976, the winner was Marcel Lachance of the same plant. Both are long-term employees.

Masters started with the company 26 years ago as a production control clerk and is now production manager of the general products division. His dedication to the community is exemplified by participation in several United Way campaigns and work on behalf of the Canadian Arthritic Society for which he served as an area president for four years.

Lachance, supervisor of shipping at the Quebec City plant, joined the company 28 years ago. He has proven that safety and efficiency can work well together. His department, which handles some 70 tons of materials a day, has gone three and one-half years without an accident. Lachance devotes much of his free time to working with Alcoholics Anonymous and the local church.

Another outstanding group comprises Goodyear bursary winners chosen from among sons and daughters of company employees. Since the program's inception 16 years ago, 66 bursaries have been awarded. The qualifications are demanding, but there has never been a lack of applicants for the program which pays tuition and expenses for a four-year university course. Students seeking the bursaries must stand in the top third of their graduating class and satisfy an independent board of educators of their ability to complete successfully a university course. Once in university, they must maintain a high standing to continue receiving the bursary.

Past winners have gone on to a wide variety of professions, including those of doctor, lawyer, dentist, engineer and university lecturer.

In 1976, daughters of four employees and the son of another were selected from 31 applicants. Their chosen careers are law, music, microbiology, teaching and engineering science.

Wherever their education leads them, bursary winners feel that Goodyear contributes significantly to their academic and professional achievements.

Tire Division

Growth in motor vehicle production in 1976 resulted in higher industry-wide original equipment sales. Industry sales of replacement truck tires also increased, but those of passenger tires declined slightly because of lower speed limits, higher fuel costs and the growing popularity of longer-lasting radial tires. Active competition from imports had a depressing effect on the sales volume and price level of Canadian-made earthmover tires.

Following a $56 million expansion, the Valleyfield plant reached full capacity in the production of steel-belted radial passenger tires and made encouraging progress in the manufacture of Unisteel radial truck tires. The Toronto and Medicine Hat factories operated at near-capacity during the year. The modernization and improvement programs continued at the Toronto plant.

In 1976, Goodyear Canada introduced a new original equipment passenger line, the Polyglas II Radial tire which combines the long-lasting performance of radial construction with the economy of fibreglass belts. It also launched the Tracker A-T tire, an all-terrain tire for vans and recreational vehicles.

As a service to fleet owners, and to achieve greater penetration in the steel radial truck tire market, the company started a fleet survey and analysis program, manned by commercial tire maintenance technicians travelling in specially equipped vans.

Goodyear Canada's service truck (circled) rolls along top of partly completed main dam at LG 2, one of the four power station sites at the giant James Bay Hydroelectric Project in northern Quebec. It is estimated that the entire project will generate tire sales and service of some $200 million.

Radial tires emerge from curing press at the Valleyfield plant, while several "green" tires await their turn to be vulcanized.

Another service to customers was the designation of 16 company-owned stores across the country as "ride centres", where tire specialists, backed by the most modern equipment, offer assistance to motorists with unusual ride problems. These centres are also being used as training units for company and dealer personnel.

Goodyear Canada consolidated its sales and service organization at the giant James Bay Hydroelectric Power Project in northern Quebec and commenced operations at its largest and most modern retread plant at Laval, near Montreal.

General Products Division

In spite of economic uncertainties, 1976 was a year of progress for the general products division.

Plastic films, automotive molded and extruded products and steel-cable conveyor belting were the most active lines. After a slow start, sales of hose and power-transmission belts were gaining momentum in the second half of the year. Packings, slabs and sheet stocks were in low demand.

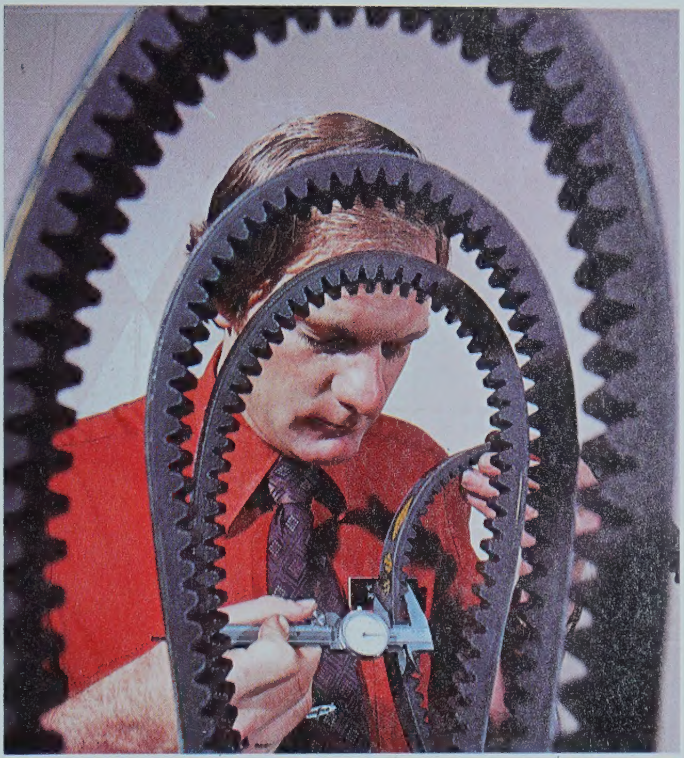
The Quebec plant operated at a high production level throughout the year to fill the requirements of a strong automotive industry and a large order for the Toronto subway.

Starting in July, Bowmanville was producing at full capacity steel-cable conveyor belting for a tar sands project in northern Alberta. Production of textile conveyor belting was down as very few major engineering projects were undertaken during the year.

The installation of additional machinery and equipment placed the expanded Collingwood plant in a strong position to capitalize on the growing demand for automotive and industrial hose.

The conversion of the Owen Sound factory to V-belts from foam products was completed, and training of personnel was intensified.

A computerized order-processing system was put into operation at Collingwood and Owen Sound to provide faster, more efficient customer service.



Snow vehicle drive belts, reinforced with Flexten, a synthetic fibre stronger than steel, have their dimensions checked by quality control inspector at the Owen Sound plant.

One of two injection-molding presses installed at the Quebec City plant in 1976. These presses manufacture a variety of industrial products, including couplings, bushings and engine mounts.

Goodyear Canada's conveyor belts move up to 9,000 bushels of seed corn per day at United Co-operatives of Ontario's processing plant outside Chatham.

Goodyear Pictorial

Life-sized castle built with ice blocks was the highlight of Quebec City's annual winter carnival in 1976. Local Goodyear employees participate regularly in the ice sculpture competition preceding the 10-day festival.

Goodyear plays an important role in supplying tires to Canada's highly mechanized logging industry. In this painting by head office employee Jim Best, a tree harvester is shown in action in the woodlands of northern Ontario.

Touchdown buggy rolls around field on Goodyear industrial tires to celebrate scoring plays by Toronto Argonauts of the Canadian Football League.

This Goodyear-built FG-1 Corsair, a fighter-bomber of World War II vintage, has its new tires inspected by Goodyear Canada personnel before performing in the Canadian National Exhibition's annual air show. The aircraft is a treasured item in the museum of the Canadian Warplanes Heritage Foundation at Hamilton, Ontario.

PRINTED IN CANADA